

Finished Goods Inventory

[Public Chapter 924 \(2004\)](#)

Franchise and
Excise taxes notice
#04-31

Effective for all tax years beginning on or after January 1, 2004, Public Chapter 924 amends the definition of finished goods inventory for franchise tax purposes in Tenn. Code Ann. Section 67-4-2108(a)(6).

Finished goods inventory in excess of \$30,000,000 is exempt from the franchise tax base minimum measure (i.e. the value of the taxpayer's real and tangible personal property in Tennessee). This act clarifies that inventory must be held at a manufacturing, warehousing or distribution facility rather than a facility where retail sales are made to customers in order to qualify as finished goods inventory for purposes of this exemption.

For purposes of the \$30,000,000 cap, "Finished goods inventory" means tangible personal property that is:

- (i) Owned by the taxpayer;
- (ii) Stored in a facility used primarily for manufacturing, warehousing, or distribution of such inventory;

- (iii) Held for wholesale or retail sale by the taxpayer, but not sold over-the-counter to consumers at the location where stored;
- (iv) Shown as inventory on the taxpayer's books and records kept in accordance with generally accepted accounting principles and
- (v) In need of no further fabrication or processing by or for the taxpayer; except, in the case of configuring, testing or packaging of computer products;

If you have any questions about this notice, you may contact the department. Tennessee residents outside the Nashville calling area may call our statewide toll-free number at (800) 397-8395. Callers from Nashville or out-of-state may dial (615) 253-0700. You can access additional information on our Web site at www.Tennessee.gov/revenue.

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